



## FEDERAL RESERVE SYSTEM

### Proposed Agency Information Collection Activities; Comment Request

**AGENCY:** Board of Governors of the Federal Reserve System.

**SUMMARY:** On June 15, 1984, the Office of Management and Budget (OMB) delegated to the Board of Governors of the Federal Reserve System (Board) its approval authority under the Paperwork Reduction Act (PRA) to approve of and assign OMB control numbers to collection of information requests and requirements conducted or sponsored by the Board. Board-approved collections of information are incorporated into the official OMB inventory of currently approved collections of information. Copies of the Paperwork Reduction Act Submission, supporting statements and approved collection of information instruments are placed into OMB's public docket files. The Federal Reserve may not conduct or sponsor, and the respondent is not required to respond to, an information collection that has been extended, revised, or implemented on or after October 1, 1995, unless it displays a currently valid OMB control number.

**DATES:** Comments must be submitted on or before **[INSERT DATE 60 DAYS AFTER DATE OF PUBLICATION IN THE FEDERAL REGISTER]**.

**ADDRESSES:** You may submit comments, identified by *FR Y-9C*, *FR Y-9LP*, *FR Y-9SP*, *FR Y-9ES*, *FR Y-9CS*, *FR Y-6*, *FR Y-7*, *FR Y-10*, or *FR Y-10E*, by any of the following methods:

- Agency Website: <http://www.federalreserve.gov>. Follow the instructions for submitting comments at <http://www.federalreserve.gov/apps/foia/proposedregs.aspx>.
- Federal eRulemaking Portal: <http://www.regulations.gov>. Follow the instructions for submitting comments.
- E-mail: [regs.comments@federalreserve.gov](mailto:regs.comments@federalreserve.gov). Include OMB number in the subject line of the message.
- FAX: (202) 452-3819 or (202) 452-3102.
- Mail: Robert deV. Frierson, Secretary, Board of Governors of the Federal Reserve System, 20<sup>th</sup> Street and Constitution Avenue, N.W., Washington, DC 20551.

All public comments are available from the Board's website at <http://www.federalreserve.gov/apps/foia/proposedregs.aspx> as submitted, unless modified for technical reasons. Accordingly, your comments will not be edited to remove any identifying or contact information. Public comments may also be viewed electronically or in paper form in Room 3515, 1801 K Street (between 18<sup>th</sup> and 19<sup>th</sup> Streets NW) Washington, DC 20006 between 9:00 a.m. and 5:00 p.m. on weekdays.

Additionally, commenters may send a copy of their comments to the OMB Desk Officer – Shagufta Ahmed – Office of Information and Regulatory Affairs, Office of Management and Budget, New Executive Office Building, Room 10235 725 17<sup>th</sup> Street, NW, Washington, DC 20503 or by fax to (202) 395-6974.

**FOR FURTHER INFORMATION CONTACT:** A copy of the PRA OMB submission, including the proposed reporting form and instructions, supporting statement, and other

documentation will be placed into OMB's public docket files, once approved. These documents will also be made available on the Federal Reserve Board's public website at: <http://www.federalreserve.gov/apps/reportforms/review.aspx> or may be requested from the agency clearance officer, whose name appears below.

Federal Reserve Board Clearance Officer – Nuha Elmaghrabi – Office of the Chief Data Officer, Board of Governors of the Federal Reserve System, Washington, DC 20551 (202) 452-3829. Telecommunications Device for the Deaf (TDD) users may contact (202) 263-4869, Board of Governors of the Federal Reserve System, Washington, DC 20551.

## **SUPPLEMENTARY INFORMATION:**

### **Request for comment on information collection proposal**

The following information collection, which is being handled under this delegated authority, has received initial Board approval and is hereby published for comment. At the end of the comment period, the proposed information collection, along with an analysis of comments and recommendations received, will be submitted to the Board for final approval under OMB delegated authority. Comments are invited on the following:

- a. Whether the proposed collection of information is necessary for the proper performance of the Federal Reserve's functions; including whether the information has practical utility;
- b. The accuracy of the Federal Reserve's estimate of the burden of the proposed information collection, including the validity of the methodology and assumptions used;
- c. Ways to enhance the quality, utility, and clarity of the information to be collected;
- d. Ways to minimize the burden of information collection on respondents, including through the use of automated collection techniques or other forms of information technology; and
- e. Estimates of capital or start up costs and costs of operation, maintenance, and purchase of services to provide information.

### **Proposal to approve under OMB delegated authority the extension for three years, with revision, of the following reports:**

*1. Report title:* Annual Report of Holding Companies; Annual Report of Foreign Banking Organizations; Report of Changes in Organizational Structure; Supplement to the Report of Changes in Organizational Structure.

*Agency form number:* FR Y-6; FR Y-7; FR Y-10; FR Y-10E.

*OMB control number:* 7100-0297.

*Frequency:* FR Y-6: Annual; FR Y-7: Annual; FR Y-10: Event-generated; FR Y-10E: Event-generated.

*Reporters:* Bank holding companies (BHCs) and savings and loan holding companies (SLHCs) (collectively, holding companies (HCs)), securities holding companies, foreign banking organizations (FBOs), state member banks unaffiliated with a BHC, Edge Act and agreement

corporations, and nationally chartered banks that are not controlled by a BHC (with regard to their foreign investments only).

*Estimated annual reporting hours:* FR Y-6: 26,477 hours; FR Y-7: 1,094 hours; FR Y-10 initial: 530 hours; FR Y-10 ongoing: 39,735 hours; FR Y-10E: 2,649 hours.

*Estimated average hours per response:* FR Y-6: 5.5 hours; FR Y-7: 4.5 hours; FR Y-10 initial: 1 hour; FR Y-10 ongoing: 2.5 hours; FR Y-10E: 0.5 hours.

*Number of respondents:* FR Y-6: 4,814; FR Y-7: 243; FR Y-10 initial: 530; FR Y-10 ongoing: 5,298; FR Y-10E: 5,298.

*General description of report:* These information collections are mandatory as follows:

**FR Y-6:** Section 5(c)(1)(A) of the Bank Holding Company Act (BHC Act) (12 U.S.C. 1844(c)(1)(A)), sections 8(a) and 13(a) of the International Banking Act (IBA) (12 U.S.C. 3106(a) and 3108(a)), sections 11(a)(1), 25, and 25A of the Federal Reserve Act (12 U.S.C. 248(a)(1), 602, and 611a), and sections 113, 312, 618, and 809 of the Dodd-Frank Act (12 U.S.C. 5361, 5412, 1850a(c)(1), and 5468(b)(1), respectively).

**FR Y-7:** Sections 8(a) and 13(a) of the IBA (12 U.S.C. 3106(a) and 3108(a)) and sections 113, 312, 618, and 809 of the Dodd-Frank Act (12 U.S.C. 5361, 5412, 1850a(c)(1), and 5468(b)(1), respectively).

**FR Y-10 and FR Y-10E:** Sections 4(k) and 5(c)(1)(A) of the BHC Act (12 U.S.C. 1843(k), 1844(c)(1)(A)), section 8(a) of the IBA (12 U.S.C. 3106(a)), sections 11(a)(1), 25(7), and 25A of the Federal Reserve Act (12 U.S.C. 248(a)(1), 321, 601, 602, 611a, 615, and 625), and sections 113, 312, 618, and 809 of the Dodd-Frank Act (12 U.S.C. §§ 5361, 5412, 1850a(c)(1), and 5468(b)(1), respectively).

The data collected in the FR Y-6, FR Y-7, FR Y-10, and FR Y-10E are not considered confidential. With regard to information that a banking organization may deem confidential, the institution may request confidential treatment of such information under one or more of the exemptions in the Freedom of Information Act (FOIA) (5 U.S.C. 552). The most likely case for confidential treatment will be based on FOIA exemption 4, which permits an agency to exempt from disclosure “trade secrets and commercial or financial information obtained from a person and privileged and confidential,” (5 U.S.C. 552(b)(4)). To the extent an institution can establish the potential for substantial competitive harm, such information would be protected from disclosure under the standards set forth in National Parks & Conservation Association v. Morton, 498 F.2d 765 (D.C. Cir. 1974). Exemption 6 of FOIA might also apply with regard to the respondents’ submission of non-public personal information of owners, shareholders, directors, officers and employees of respondents. Exemption 6 covers “personnel and medical files and similar files the disclosure of which would constitute a clearly unwarranted invasion of personal privacy,” (5 U.S.C. 552(b)(6)). All requests for confidential treatment would need to be reviewed on a case-by-case basis and in response to a specific request for disclosure.

*Abstract:* The FR Y-6 is an annual information collection submitted by top-tier HCs and non-qualifying FBOs. It collects financial data, an organization chart, verification of domestic branch data, and information about shareholders. The Federal Reserve uses the data to monitor holding company operations and determine holding company compliance with the provisions of the BHC Act, Regulation Y (12 C.F.R. 225), the Home Owners' Loan Act (HOLA), and Regulation LL (12 C.F.R. 238).

The FR Y-7 is an annual information collection submitted by qualifying FBOs to update their financial and organizational information with the Federal Reserve. The FR Y-7 collects financial, organizational, and managerial information. The Federal Reserve uses information to assess an FBO's ability to be a continuing source of strength to its U.S. operations, and to determine compliance with U.S. laws and regulations.

The FR Y-10 is an event-generated information collection submitted by FBOs; top-tier HCs; security holding companies as authorized under Section 618 of the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010 (12 U.S.C. 1850a(c)(1)); state member banks unaffiliated with a BHC; Edge Act and agreement corporations that are not controlled by a member bank, a domestic BHC, or a FBO; and nationally chartered banks that are not controlled by a BHC (with regard to their foreign investments only) to capture changes in their regulated investments and activities. The Federal Reserve uses the data to monitor structure information on subsidiaries and regulated investments of these entities engaged in banking and nonbanking activities. The FR Y-10E is a free-form supplement that may be used to collect additional structural information deemed to be critical and needed in an expedited manner.

*Current Actions:* The Board proposes to add line items to the FR Y-7 to collect information from an FBO on its compliance with applicable U.S. risk committee and home country stress test requirements under the Board's Regulation YY and section 165 of the Dodd-Frank Act.<sup>1</sup>

Section 165 of the Dodd-Frank Act directs the Board to establish prudential standards for BHCs and FBOs with total consolidated assets of \$50 billion or more and nonbank financial companies that the Financial Stability Oversight Council has designated for supervision by the Board. In addition, the statute directs the Board to issue regulations applying certain standards to BHCs and FBOs with total consolidated assets of \$10 billion or more. In particular, the Board is directed to require publicly traded BHCs and FBOs with total consolidated assets of \$10 billion or more to establish risk committees.<sup>2</sup> In addition, the Board is required to issue regulations imposing company-run stress test requirements on BHCs, FBOs, state member banks, and savings and loan holding companies with total consolidated assets of more than \$10 billion.<sup>3</sup>

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<sup>1</sup> 79 FR 17239 (March 27, 2014).

<sup>2</sup> See 12 U.S.C. 5365(h).

<sup>3</sup> 12 U.S.C. 5365(i).

In February of 2014, the Board adopted enhanced prudential standards for FBOs, including risk committee and stress testing requirements for FBOs with total consolidated assets of more than \$10 billion. These standards are contained in the Board's Regulation YY, which is organized into subparts that apply to FBOs depending on their asset size. The risk committee and stress testing requirements are located in the following subparts:

- **Subpart L** establishes stress testing requirements for FBOs with total consolidated assets of more than \$10 billion;
- **Subpart M** establishes risk committee requirements for publicly traded FBOs with total consolidated assets between \$10-\$50 billion;
- **Subpart N** establishes enhanced prudential standards (including risk committee and stress testing requirements) for FBOs with total consolidated assets of \$50 billion or more but combined U.S. assets of less than \$50 billion; and
- **Subpart O** establishes enhanced prudential standards (including risk committee and stress testing requirements) for FBOs with total consolidated assets of \$50 billion or more and combined U.S. assets of \$50 billion or more.

With regards to risk committee requirements, an FBO subject to subpart M or N is required to certify that it has a risk committee that oversees the risk management practices of the combined U.S. operations of the company and has at least one member with appropriate risk expertise.<sup>4</sup> This certification must be filed on an annual basis with the Board concurrently with the FR Y-7. FBOs subject to subpart O are subject to more prescriptive U.S. risk committee requirements and must employ a U.S. chief risk officer in the United States.<sup>5</sup>

With regards to stress testing, an FBO subject to subpart L, N, or O must be subject to a consolidated capital stress testing regime administered by the FBO's home-country supervisor, meet the home-country supervisor's minimum standards, and in some cases provide information to the Board about the results of home country stress testing. If these conditions are not met, the U.S. branches and agencies of the foreign bank are subject to an asset maintenance requirement, and generally must conduct an annual stress test of its U.S. subsidiaries. An FBO subject to subpart O must also conduct stress testing at its U.S. intermediate holding company. The proposed revisions to the FR Y-7 would implement the U.S. risk committee certification requirement and provide FBOs with a standardized way to indicate compliance with the home country stress testing requirements (if not, the FBO would be subject to additional requirements in the United States). Specifically, the proposal would require an FBO to certify that it meets, does not meet, or is not subject to the relevant U.S. risk committee certification requirement and indicate that it meets, does not meet, or is not subject to the relevant home-country stress testing requirement. The instructions to the line item would describe the requirements and the scope of

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<sup>4</sup> The combined U.S. operations of a FBO include its U.S. branches and agencies and U.S. subsidiaries (other than any section 2(h)(2) company, if applicable).

<sup>5</sup> FBOs subject to subpart O are not required to certify that they have a U.S. risk committee because the Board expects to gain sufficient information through the supervisory process to evaluate whether the U.S. risk committee meets the requirements of this section.

applicability so that an FBO would be able to identify and confirm compliance with the applicable requirements.

2. *Report title:* Consolidated Financial Statements for Holding Companies, Parent Company Only Financial Statements for Large Holding Companies, Parent Company Only Financial Statements for Small Holding Companies, Financial Statement for Employee Stock Ownership Plan Holding Companies, and the Supplemental to the Consolidated Financial Statements for Holding Companies.

*Agency form number:* FR Y-9C, FR Y-9LP, FR Y-9SP, FR Y-9ES, and FR Y-9CS.

*OMB control number:* 7100-0128.

*Frequency:* Quarterly, semiannually, and annually.

*Reporters:* Bank holding companies (BHCs), savings and loan holding companies (SLHCs), and securities holding companies (SHCs) (collectively, holding companies).

*Estimated annual reporting hours:* FR Y-9C (non advanced approaches holding companies): 131,514 hours; FR Y-9C (advanced approached holding companies): 2,683 hours; FR Y-9LP: 16,695 hours; FR Y-9SP: 45,425 hours; FR Y-9ES: 44 hours; FR Y-9CS: 472 hours.

*Estimated average hours per response:* FR Y-9C (non advanced approaches holding companies): 50.35 hours; FR Y-9C (advanced approached holding companies HCs): 51.60 hours; FR Y-9LP: 5.25 hours; FR Y-9SP: 5.40 hours; FR Y-9ES: 0.50 hours; FR Y-9CS: 0.50 hours.

*Number of respondents:* FR Y-9C (non advanced approaches holding companies): 653; FR Y-9C (advanced approached holding companies): 13; FR Y-9LP: 795 hours; FR Y-9SP: 4,206; FR Y-9ES: 88; FR Y-9CS: 236.

*General description of report:* This information collection is mandatory for BHCs (12 U.S.C. 1844(c)(1)(A)). Additionally, 12 U.S.C. 1467a (b)(2)(A) and 1850a(c)(1)(A), respectively, authorize the Federal Reserve to require that Savings and Loan Holding Companies (SLHCs) and supervised Securities Holding Companies (SHCs) file the FR Y-9LP, and FR Y-9SP with the Federal Reserve. Confidential treatment is not routinely given to the financial data in this report. However, confidential treatment for the reporting information, in whole or in part, can be requested in accordance with the instructions to the form, pursuant to sections (b)(4), (b)(6), or (b)(8) of FOIA (5 U.S.C. 522(b)(4), (b)(6), and (b)(8)). The applicability of these exemptions would need to be reviewed on a case by case basis.

*Abstract:* The FR Y-9 family of reporting forms continues to be the primary source of financial data on holding companies that examiners rely on in the intervals between on-site inspections. Financial data from these reporting forms are used to detect emerging financial problems, to review performance and conduct pre-inspection analysis, to monitor and evaluate capital adequacy, to evaluate holding company mergers and acquisitions, and to analyze a holding company's overall financial condition to ensure the safety and soundness of its operations. The

FR Y-9C serves as standardized financial statements for the consolidated holding company. The FR Y-9LP, and FR Y 9SP serve as standardized financial statements for parent holding companies; the FR Y-9ES is a financial statement for holding companies that are Employee Stock Ownership Plans (ESOPs). The Federal Reserve also has the authority to use the FR Y-9CS (a free-form supplement) to collect additional information deemed to be (1) critical and (2) needed in an expedited manner.

*Current Actions:* The Federal Reserve proposes to implement a number of revisions to the FR Y-9C requirements in March 2016. All of these proposed changes except for those related to Schedule HC-I are consistent with proposed changes to the Call Reports. The proposed changes include:

- Deletions of certain existing data items pertaining to other-than-temporary impairments from Schedule HI, Income Statement; troubled debt restructurings from Schedule HC-C, Loans and Leases, and Schedule HC-N, Past Due and Nonaccrual Loans, Leases, and Other Assets; loans covered by FDIC loss-sharing agreements from Schedule HC-M, Memoranda, and Schedule HC-N; and unused commitments to asset-backed commercial paper conduits with an original maturity of one year or less in Schedule HC-R, Part II, Risk-Weighted Assets;
- Increases and additions to reporting thresholds for certain data items in four FR Y-9C schedules;
- Instructional revisions addressing the reporting of home equity lines of credit that convert from revolving to non-revolving status in Schedule HC-C; securities for which a fair value option is elected in Schedule HC, Balance Sheet; and net gains (losses) and other-than-temporary impairments on equity securities that do not have readily determinable fair values in Schedule HI;
- New and revised data items, including:
  - Increasing the time deposit size threshold from \$100,000 to \$250,000 in Schedule HC-E, Deposit Liabilities
  - Revising the reporting of certain securities measured under a fair value option in Schedule HC-Q and moving the existing Memorandum items for the fair value and unpaid principal balance of loans (not held for trading) from Schedule HC-C, to Schedule HC-Q;
  - Eliminating the concept of extraordinary items and revising affected data items in Schedule HI

## **Proposed FR Y-9C Revisions**

### **A. Deletions of Existing Data Items**

Based on the Federal Reserve's review of the information that holding companies are required to report in the FR Y-9C, the Federal Reserve has determined that the continued collection of the following items is no longer necessary and are proposing to eliminate them effective March 31, 2016:

- (1) Schedule HI, Memorandum items 17(a) and 17(b), on other-than-temporary impairments;<sup>6</sup>
- (2) Schedule HC-C, Memorandum items 1(f)(2), 1(f)(5), and 1(f)(6) on troubled debt restructurings in certain loan categories that are in compliance with their modified terms;
- (3) Schedule HC-N, Memorandum items 1(f)(2), 1(f)(5), and 1(f)(6) on troubled debt restructurings in certain loan categories that are 30 days or more past due or on nonaccrual;
- (4) Schedule HC-M, items 6(a)(5)(a) through (d) on loans in certain loan categories that are covered by FDIC loss-sharing agreements; and
- (5) Schedule HC-N, items 12(e)(1) through (4) on loans in certain loan categories that are covered by FDIC loss-sharing agreements and are 30 days or more past due or on nonaccrual.

In addition, when Schedule HC-R, Part II, is completed properly, item 18(b) on unused commitments to asset-backed commercial paper conduits with an original maturity of one year or less is not needed because such commitments should already have been reported in item 10 as off-balance sheet securitization exposures. The instructions for item 18(b) explain that these unused commitments should be reported in item 10 and that amounts should not be reported in item 18(b). Accordingly, the Federal Reserve proposes to delete existing item 18(b) from Schedule HC-R, Part II. Existing item 18(c) of Schedule HC-R, Part II, for unused commitments with an original maturity exceeding one year would then be renumbered as item 18(b).

### **B. New Reporting Threshold and Increases in Existing Reporting Thresholds.**

In three FR Y-9C schedules, holding companies are currently required to itemize and describe each component of an existing item when the component exceeds both a specified percentage of the item and a specified dollar amount. Based on a preliminary evaluation of the existing reporting thresholds, the Federal Reserve has concluded that the dollar portion of the thresholds that currently apply to these items can be increased to provide a reduction in reporting burden without a loss of data that would be necessary for supervisory or other public policy purposes. The percentage portion of the existing thresholds would not be changed. Accordingly, the Federal Reserve proposes to raise from \$25,000 to \$100,000 the dollar portion of the threshold for itemizing and describing components of:

- (1) Schedule HI, memo item 6, "Other noninterest income;"

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<sup>6</sup> Institutions would continue to complete Schedule HI, Memorandum item 17(c), on net impairment losses recognized in earnings.



- (2) Schedule HI, memo item 7, “Other noninterest expense;”
- (3) Schedule HC-Q, Memorandum item 1, “All other assets;” and
- (4) Schedule HC-Q, Memorandum item 2, “All other liabilities.”

To reduce burden, the Federal Reserve also proposes to raise from \$25,000 to \$1,000,000 the dollar portion of the threshold for itemizing and describing components of “Other trading assets” and “Other trading liabilities” in Schedule HC-D, Memorandum items 9(b) and 10.

Based on the Federal Reserve’s review of items reported on Schedule HC-I, Insurance-Related Underwriting Activities (Including Reinsurance), the Federal Reserve proposes that a \$10,000,000 threshold be added to provide a reduction in reporting burden for reinsurance recoverables reported on Schedule HC-I, Part I line item 1 and HC-I, Part II line item 1 due to the limited activity and immateriality on these line items. Reporting of these data items would be determined as of end of each quarter.

### **C. Instructional Revisions**

#### **1. Reporting Home Equity Lines of Credit that Convert from Revolving to Non Revolving Status.**

Holding companies report the amount outstanding under revolving, open-end lines of credit secured by 1-4 family residential properties (commonly known as home equity lines of credit or HELOCs) in item 1(c)(1) of Schedule HC-C, Loans and Leases. Closed-end loans secured by 1-4 family residential properties are reported in Schedule HC-C, item 1(c)(2)(a) or (b), depending on whether the loan is a first or a junior lien.<sup>7</sup>

A HELOC is a line of credit secured by a lien on a 1-4 family residential property that generally provides a draw period followed by a repayment period. During the draw period, a borrower has revolving access to unused amounts under a specified line of credit. During the repayment period, the borrower can no longer draw on the line of credit, and the outstanding principal is either due immediately in a balloon payment or is repaid over the remaining loan term through monthly payments. The FR Y-9C instructions do not address the reporting treatment for a home equity line of credit when it reaches its end-of-draw period and converts from revolving to nonrevolving status. Such a loan no longer has the characteristics of a revolving, open-end line of credit and, instead, becomes a closed-end loan. In the absence of instructional guidance that specifically addresses this situation, Board staff has found diversity in how these credits are reported in Schedule HC-C. Some holding companies continue to report home equity lines of credit that have converted to non-revolving closed-end status in item 1(c)(1) of Schedule HC-C, as if they were still revolving open-end lines of credit, while other holding companies recategorize such loans and report them as closed-end loans in item 1(c)(2)(a) or (b), as appropriate.

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<sup>7</sup> Information also is separately reported for open-end and closed-end loans secured by 1-4 family residential properties in Schedule HI-B, Part I, Charge-offs and Recoveries on Loans and Leases; Memorandum items in Schedule HC-C; Schedule HC-D; Schedule HC-M; and Schedule HC-N.

Therefore, to address this absence of instructional guidance and promote consistency in reporting, the Federal Reserve proposes to clarify the instructions for reporting loans secured by 1-4 family residential properties to specify that after a revolving open-end line of credit has converted to non-revolving closed-end status, the loan should be reported in Schedule HC-C, item 1(c)(2)(a) or (b), as appropriate. In proposing this clarification, the Federal Reserve is requesting comment on whether an instructional requirement to recategorize HELOCs as closed-end loans for FR Y-9C purposes would create difficulties for holding company's loan recordkeeping systems. If so, please describe the difficulties this recategorization would create.

## 2. Reporting Treatment for Securities for Which a Fair Value Option is Elected

The FR Y-9C Glossary entry for "Trading Account" currently states that "all securities within the scope of the Financial Accounting Standards Board's (FASB) Accounting Standards Codification (ASC) Topic 320, Investments-Debt and Equity Securities (formerly FASB Statement No. 115, "Accounting for Certain Investments in Debt and Equity Securities"), that a holding company has elected to report at fair value under a fair value option with changes in fair value reported in current earnings should be classified as trading securities." This reporting treatment was based on language contained in former FASB Statement No. 159, "The Fair Value Option for Financial Assets and Financial Liabilities," but that language was not codified when Statement No. 159 was superseded by current ASC Topic 825, Financial Instruments. Thus, under U.S. GAAP as currently in effect, the classification of all securities within the scope of ASC Topic 320 that are accounted for under a fair value option as trading securities is no longer required. Accordingly, to bring the "Trading Account" Glossary entry into conformity with current U.S. GAAP, the Federal Reserve proposes to revise the statement from the Glossary entry quoted above by replacing "should be classified" with "may be classified."

This revision to the "Trading Account" Glossary entry means that a holding company that elects the fair value option for securities within the scope of ASC Topic 320 would be able to classify such securities as held-to-maturity or available-for-sale in accordance with this topic based on the holding company's intent and ability with respect to the securities. In addition, a holding company could choose to classify securities for which a fair value option is elected as trading securities.

Holding companies that have been required to classify all securities within the scope of ASC Topic 320 that are accounted for under a fair value option as trading securities also should consider the related proposed changes to Schedule HC-Q, Assets and Liabilities Measured at Fair Value on a Recurring Basis, which are discussed below.

## 3. Net Gains (Losses) on Sales of, and Other-Than-Temporary Impairments on, Equity Securities That Do Not Have Readily Determinable Fair Values

Holding companies report investments in equity securities that do not have readily determinable fair values and are not held for trading (and to which the equity method of accounting does not apply) in FR Y-9C Schedule HC-F, item 4, and on the FR Y-9C balance sheet in Schedule HC, item 11, "Other assets." If such equity securities are held for trading, they are reported in Schedule HC, item 5, and in Schedule HC-D, item 9 and Memorandum item 7.b, if applicable.

In contrast, investments in equity securities with readily determinable fair values that are not held for trading are reported as available-for-sale securities in Schedule HC, item 2(b), and in Schedule HC-B, item 7, whereas those held for trading are reported in Schedule HC, item 5, and in Schedule HC-D, item 9 and Memorandum item 7(a), if applicable.

In general, investments in equity securities that do not have readily determinable fair values are accounted for in accordance with ASC Subtopic 325-20, Investments-Other – Cost Method Investments (formerly Accounting Principles Board Opinion No. 18, “The Equity Method of Accounting for Investments in Common Stock”), but are subject to the impairment guidance in ASC Topic 320, Investments-Debt and Equity Securities (formerly FASB Staff Position No. FAS 115-2 and FAS 124-2, “Recognition and Presentation of Other-Than-Temporary Impairments”).

The FR Y-9C instructions for Schedule HI, Income Statement, address the reporting of realized gains (losses), including other-than-temporary impairments, on held to-maturity and available-for-sale securities as well as the reporting of realized and unrealized gains (losses) on trading securities and other assets held for trading. However, the Schedule HI instructions do not specifically explain where to report realized gains (losses) on sales or other disposals of, and other-than-temporary impairments on, equity securities that do not have readily determinable fair values and are not held for trading (and to which the equity method of accounting does not apply).

The instructions for Schedule HI, item 5.k, “Net gains (losses) on sales of other assets (excluding securities),” direct holding companies to “report the amount of net gains (losses) on sales and other disposals of assets not required to be reported elsewhere in the income statement (Schedule HI).” The instructions for item 5(k) further advise holding companies to exclude net gains (losses) on sales and other disposals of securities and trading assets. The intent of this wording was to cover securities designated as held-to-maturity, available-for-sale, and trading securities because there are separate specific items elsewhere in Schedule HI for the reporting of realized gains (losses) on such securities (items 6(a), 6(b), and 5(c), respectively). Thus, the Federal Reserve to revise the instructions for Schedule HI, item 5(k), by clarifying that the exclusions from this item of net gains (losses) on securities and trading assets apply to held-to-maturity, available-for-sale, and trading securities and other assets held for trading. At the same time, the Federal Reserve to add language to the instructions for Schedule HI, item 5(k), that explains that net gains (losses) on sales and other disposals of equity securities that do not have readily determinable fair values and are not held for trading (and to which the equity method of accounting does not apply), as well as other-than-temporary impairments on such securities, should be reported in item 5(k). In addition, the Federal Reserve proposes to remove the parenthetical “(excluding securities)” from the caption for item 5(k) and add in its place a footnote to this item advising holding companies to exclude net gains (losses) on sales of trading assets and held-to-maturity and available-for-sale securities.

## **D. New and Revised Data Items**

### **1. Increase in the Time Deposit Size Threshold**

The Federal Reserve is proposing to increase the time deposit size threshold from \$100,000 to \$250,000 in Schedule HC-E, memorandum item 3, Time Deposits of \$100,000 or more with a remaining maturity of one year or less. The comparable line item on the Call Report is being revised to reflect the permanent \$250,000 deposit insurance limit. Therefore, the Federal Reserve is proposing this change to maintain consistency between the two reports.

### **2. Changes to Schedule HC-Q, Assets and Liabilities Measured at Fair Value on a Recurring Basis**

Holding companies reporting on Schedule HC-Q are currently required to treat securities they have elected to report at fair value under a fair value option as part of their trading securities. As a consequence, institutions must include fair value information for their fair value option securities, if any, in Schedule HC-Q two times: first, as part of the fair value information they report for their “Other trading assets” in item 5(b) of the schedule, and then on a standalone basis in item 5(b)(1), “Nontrading securities at fair value with changes in fair value reported in current earnings.” This reporting treatment flows from the existing provision of the Glossary entry for “Trading Account” that, as discussed above, requires an institution that has elected to report securities at fair value under a fair value option to classify the securities as trading securities. However, as further discussed above, Board staff is proposing to remove this requirement because it is not consistent with current U.S. GAAP. As a result, holding company’s fair value option securities can be classified as held-to-maturity, available-for-sale, or trading securities in accordance with the guidance in Topic 320, Investments-Debt and Equity Securities.

In its current form, Schedule HC-Q contains an item for available-for-sale securities along with the items identified above for “Other trading assets,” which includes securities designated as trading securities, and “Nontrading securities at fair value with changes in fair value reported in current earnings.” However, Schedule HC-Q does not include an item for held-to-maturity securities because, given the existing instructional requirements for fair value option securities, the held-to-maturity category includes only securities reported at amortized cost. In addition to removing the requirement to report all fair value option securities within the scope of ASC Topic 320 as trading securities, as proposed earlier in this notice, the Federal Reserve is further proposing to replace item 5(b)(1) of Schedule HC-Q for nontrading securities accounted for under a fair value option with a new item for any “Held-to-Maturity securities” to which a fair value option is applied. In this regard, existing item 1 for “Available-for-sale securities” would be renumbered as item 1(b) and fair value information for any fair value option securities designated as “Held-to-maturity securities” would be reported in a new item 1(a) of Schedule HC-Q. These changes to Schedule HC-Q would take effect March 31, 2016.

In addition, at present, holding companies that have elected to measure loans (not held for trading) at fair value under a fair value option are required to report the fair value and unpaid principal balance of such loans in Memorandum items 10 and 11 of Schedule HC-C, Loans and Lease Financing Receivables. This information is also collected on the Call Report Schedule

RC-C Loans and Leases. The Federal Deposit Insurance Corporation and the Office of the Comptroller of the Currency (the agencies) have proposed to move this information from Schedule RC-C to Schedule RC-Q, Assets and Liabilities Measured at Fair Value on a Recurring Basis. Holding companies have commented in the past that retaining a consistent format between the Call Report and the FR Y-9C on the reporting of comparable information reduces reporting burden to the holding companies. Accordingly, the Board proposes to move Memorandum items 10 and 11 on the fair value and unpaid principal balance of fair value option loans from Schedule HC-C, to Schedule HC-Q effective March 31, 2016, and to designate them as Memorandum items 3 and 4.

### 3. Extraordinary Items

In January 2015, the FASB issued ASU No. 2015-01, “Simplifying Income Statement Presentation by Eliminating the Concept of Extraordinary Items.” This ASU eliminates the concept of extraordinary items from U.S. GAAP. At present, ASC Subtopic 225-20, Income Statement – Extraordinary and Unusual Items (formerly Accounting Principles Board Opinion No. 30, “Reporting the Results of Operations”), requires an entity to separately classify, present, and disclose extraordinary events and transactions. An event or transaction is presumed to be an ordinary and usual activity of the reporting entity unless evidence clearly supports its classification as an extraordinary item. For FR Y-9C purposes, if an event or transaction currently meets the criteria for extraordinary classification, a holding company must segregate the extraordinary item from the results of its ordinary operations and report the extraordinary item in its income statement in Schedule HI, item 11, “Extraordinary items and other adjustments, net of income taxes.”

ASU 2015-01 is effective for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2015. Thus, for example, holding companies with a calendar year fiscal year must begin to apply the ASU in their FR Y-9C for March 31, 2016.<sup>8</sup> After a holding company adopts ASU 2015-01, any event or transaction that would have met the criteria for extraordinary classification before the adoption of the ASU should be reported in Schedule HI, item 5(l), “Other noninterest income,” or item 7(d), “Other noninterest expense,” as appropriate, unless the event or transaction would otherwise be reportable in another item of Schedule HI.

Consistent with the elimination of the concept of extraordinary items in ASU 2015-01, the Federal Reserve proposes to revise the instructions for Schedule HI, item 11, and remove the term “extraordinary items” and revise the captions for Schedule HI, item 8, “Income (loss) before income taxes and extraordinary items and other adjustments,” item 10, “Income (loss) before extraordinary items and other adjustments,” and item 11, “Extraordinary items and other adjustments, net of income taxes,” effective March 31, 2016. After the concept of extraordinary items has been eliminated and such items would no longer be reportable in Schedule HI, item 11, only the results of discontinued operations would be reportable in item 11. Accordingly, effective March 31, 2016, the revised captions for Schedule HI, items 8, 10 and 11 would become “Income (loss) before income taxes and discontinued operations,” “Income (loss) before discontinued operations,” and “discontinued operations, net of applicable income taxes”

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<sup>8</sup> Early adoption of ASU 2015-01 is permitted provided that the guidance is applied from the beginning of the fiscal year of adoption.

respectively. The captions for Schedule HI, memorandum items 2, 8, items 8 and 11 on the Predecessor Financial Items and applicable Glossary references would also be revised to eliminate the concept of extraordinary items.

Board of Governors of the Federal Reserve System, November 27, 2015.

**Robert deV. Frierson,**  
*Secretary of the Board.*

**BILLING CODE 6210-01-P**

[FR Doc. 2015-30538 Filed: 12/1/2015 8:45 am; Publication Date: 12/2/2015]